

NATIONAL DAIRY MARKET AT A GLANCE**CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (6/21):**

BUTTER: Grade AA closed at \$1.0175. The weekly average for Grade AA is \$1.0142 (+.0009).

CHEESE: Barrels closed at \$1.0725 and blocks at \$1.1000. The weekly average for barrels is \$1.0925 (-.0320) and blocks, \$1.1260 (-.0150).

NONFAT DRY MILK: Extra Grade closed at \$0.8950 and Grade A at \$0.9000. The weekly average for Extra Grade is \$0.8950 (N.C.) and Grade A, \$0.9000 (N.C.).

BUTTER: The butter market remains weak despite price increases this week. Cream supplies have tightened now that milk production is lower, butterfat tests are declining, and demand from other cream based products is improving. Stocks of butter continue to be reported as readily available. Butter producers indicate that production schedules are now more in line with typical summer patterns. Current production might not be able to keep pace with demand, thus producers and handlers will also be filling orders from inventoried stocks. Current orders are fair at best. Retail orders are somewhat heavier, stimulated by scattered feature activity. Food service orders are seasonally active as the summer vacation season is in full swing.

CHEESE: The cheese market continues weak. Cash cheese prices at the Chicago Mercantile Exchange declined below the current CCC (support) purchase prices of \$1.1314 per pound for blocks and \$1.1014 for barrels. Cheddar and some selected size packages of mozzarella seem to be in the longest position. Because of the upcoming July 4th holiday and its location in the week, bulk cheese orders for that week are lower. Demand is still unable to clear current offerings and extra volumes are entering storage. Cheese production remains seasonally active though yields are slipping seasonally.

FLUID MILK: Milk production is falling rather rapidly in the Southern tier of states where day time and night time temperatures have been the hottest. In the Northern third of the country, milk output is generally past the peak, but holding up heavier than expected. With most schools now on summer break, surplus milk volumes are not declining as fast as anticipated. The Southeast milk supplies are tighter and milk shipments out of Florida have decreased significantly in the past two weeks. Bottled milk sales are generally slow. The fluid cream market is firming up as Class II needs improve and milk supplies tighten. Prices are often lower because of the drop in the CME butter price, but multiples used to set cream prices have increased significantly this week. Churning activity is often lighter, but still moderate. The condensed skim market is mixed, ranging from weak to improved where milk supplies are the tightest.

DRY PRODUCTS: The NDM market remains weak and prices are steady to fractionally higher. Spot interest is slow with most sales occurring at or very near the support purchase price. The dry buttermilk market is weak and prices are sharply lower in the West, steady elsewhere. Demand is seldom better than fair. The dry whey market remains weak. Spot prices are steady to lower and demand is still lackluster. Some export interest was filled from Western sources at prices at the low end of that region's price range. Production levels are still heavy and stocks in much of the country are still more than ample for the

slow buying interest. The WPC market remains weak and prices continue to ease lower. Demand is slow to fair with instances of slight improvement in the feed sector. Lactose prices and the market tone are unchanged. Third quarter export contracts are slow to develop and domestic spot demand is, at best, slow. Supplies are increasing.

CCC: For the week of June 17 - 21, CCC purchased 17,738,260 pounds of NDM. A total of 620,485 pounds originated from the East, 3,695,404 pounds from the Midwest, and 13,440,371 pounds from the West.

MAY MILK PRODUCTION (NASS): Milk production in the 20 major states during May totaled 13.0 billion pounds, up 3.2% from May 2001. April revised production, at 12.6 billion pounds, was up 3.3% from April 2001. The April revision represented an increase of 0.3% or 42 million pounds from last month's preliminary estimate. Production per cow averaged 1,681 pounds for May, 49 pounds (3.0%) above May 2001. The number of cows on farms was 7.76 million head, 14,000 head (0.2%) more than May 2001, and 9,000 head (0.1%) more than April 2002.

MAY FEDERAL MILK ORDER PRICE AND POOL SUMMARY (DAIRY PROGRAMS): During May, about 11.2 billion pounds of milk were received from producers. This volume of milk is 6.5% higher than the May 2001 volume. (Taking into account the volume of milk not pooled due to intraorder disadvantageous price relationships, the year-to-year change is +3.0%.) About 3.9 billion pounds of producer milk were used in Class I products, 1.5% higher than the previous year. Calendar composition likely had a positive impact on milk used in Class I in 2002 as compared to 2001. The all-market average Class utilizations were: Class I = 35%, Class II = 10%, Class III = 43%, and Class IV = 12%. The weighted average statistical uniform price was \$12.02 per cwt., \$0.24 lower than last month, and \$3.53 lower than last year.

DAIRY SITUATION AND OUTLOOK (ERS): Dairy markets have been weak this spring. Recovery in milk production, in line with earlier expectations, has been substantial but not overwhelming. However, downward adjustments in dairy product demand have been larger than anticipated, particularly for cheese and milk solids as ingredients. Demand sluggishness has pushed up commercial dairy stocks sharply. These stocks will forestall much rebound in prices during the rest of 2002. Large supplies and sluggish demand have kept international dairy prices steady and quite low. Demand is expected to stay fairly weak through at least yearend.

FEDERAL MILK ORDER ADVANCE PRICES HIGHLIGHTS (DAIRY PROGRAMS): Under the Federal milk order pricing system, the base price for Class I milk for July 2002 is \$10.62. This price is derived from the advanced Class IV skim milk pricing factor of \$6.85 and the advanced butterfat pricing factor of \$1.1443 per pound. Class I differentials specific to each county are added to the base price to determine the Class I price. The Class II skim milk price for July is \$7.55 and the Class II nonfat solids price is \$0.8389 per pound. The following are the two-week product price averages: butter \$1.0533, nonfat dry milk \$0.9006, cheese \$1.1792, and dry whey \$0.1663.

*****SPECIAL THIS ISSUE*****

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**CHICAGO MERCANTILE EXCHANGE
CASH TRADING**

CHEESE: carload = 40,000-44,000 lbs., NONFAT DRY MILK: carlot = 42,000-45,000 lbs., BUTTER: carlot = 40,000-43,000 lbs.

PRODUCT	MONDAY JUNE 17	TUESDAY JUNE 18	WEDNESDAY JUNE 19	THURSDAY JUNE 20	FRIDAY JUNE 21	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.1125 (-.0100)	\$1.1025 (-.0100)	\$1.0925 (-.0100)	\$1.0825 (-.0100)	\$1.0725 (-.0100)	(-.0500)	\$1.0925 (-.0320)
40# BLOCKS	\$1.1400 (N.C.)	\$1.1275 (-.0125)	\$1.1325 (+.0050)	\$1.1300 (-.0025)	\$1.1000 (-.0300)	(-.0400)	\$1.1260 (-.0150)
NONFAT DRY MILK							
EXTRA GRADE	\$.8950 (N.C.)	\$.8950 (N.C.)	\$.8950 (N.C.)	\$.8950 (N.C.)	\$.8950 (N.C.)	(N.C.)	\$.8950 (N.C.)
GRADE A	\$.9000 (N.C.)	\$.9000 (N.C.)	\$.9000 (N.C.)	\$.9000 (N.C.)	\$.9000 (N.C.)	(N.C.)	\$.9000 (N.C.)
BUTTER							
GRADE AA	\$1.0100 (+.0050)	----	\$1.0150 (+.0050)	----	\$1.0175 (+.0025)	(+.0125)	\$1.0142 (+.0009)

*Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM {NOTE: THE CME WILL BE CLOSED JULY 4TH AND 5TH}

CHICAGO MERCANTILE EXCHANGE

MONDAY, JUNE 17, 2002

CHEESE — SALES: 1 CAR BARRELS @ \$1.1200; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.1125
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER — SALES: 5 CARS GRADE AA: 2 @ \$1.0150, 2 @ \$1.0125, 1 @ \$1.0100; BIDS UNFILLED: 3 CARS GRADE AA: 1 @ \$1.0100, 2 @ \$1.0050; OFFERS UNCOVERED: 1 CAR GRADE AA @ \$1.0500

TUESDAY, JUNE 18, 2002

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 2 CARS BARRELS: 1 @ \$1.1025, 1 @ \$1.1225; 1 CAR 40# BLOCKS @ \$1.1275
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 5 CARS EXTRA GRADE @ \$0.8950; 5 CARS GRADE A @ \$0.9000

WEDNESDAY, JUNE 19, 2002

CHEESE — SALES: 1 CAR 40# BLOCKS @ \$1.1375; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.0925; 1 CAR 40# BLOCKS @ \$1.1325
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 5 CARS EXTRA GRADE @ \$0.8950; 5 CARS GRADE A @ \$0.9000
 BUTTER — SALES: 1 CAR GRADE AA @ \$1.0150; BIDS UNFILLED: 7 CARS GRADE AA: 1 @ \$1.0125, 2 @ \$1.0100, 1 @ \$1.0075, 3 @ \$1.0050; OFFERS UNCOVERED: NONE

THURSDAY, JUNE 20, 2002

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.0825; 2 CARS 40# BLOCKS: 1 @ \$1.1300, 1 @ \$1.1325
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 5 CARS EXTRA GRADE @ \$0.8950; 5 CARS GRADE A @ \$0.9025

FRIDAY, JUNE 21, 2002

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.0725; 5 CARS 40# BLOCKS: 1 @ \$1.1000, 1 @ \$1.1225, 1 @ \$1.1250, 1 @ \$1.1275, 1 @ \$1.1300
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 5 CARS EXTRA GRADE @ \$0.8975; 5 CARS GRADE A @ \$0.9025
 BUTTER — SALES: 20 CARS GRADE AA: 1 @ \$1.0175, 5 @ \$1.0200, 1 @ \$1.0175, 1 @ \$1.0150, 3 @ \$1.0200, 2 @ \$1.0175, 2 @ \$1.0150, 1 @ \$1.0200, 2 @ \$1.0275, 1 @ \$1.0200, 1 @ \$1.0175; BIDS UNFILLED: 13 CARS GRADE AA: 1 @ \$1.0175, 6 @ \$1.0150, 1 @ \$1.0125, 5 @ \$1.0100; OFFERS UNCOVERED: NONE

BUTTER MARKETS**NORTHEAST**

The market tone remains weak. Cream volumes have tightened for churning needs. In most instances, cream for churning is available within producers own plants with minimal cream available on a spot basis. Ice cream and cream cheese production schedules have increased, absorbing a large percentage of available cream. Declining milk production and lower butterfat tests are also limiting cream availability. Although cream supplies are tighter, most producers and handlers are not overly concerned at this time. Up to this point, churning schedules have been stronger than anticipated, thus stocks are heavier than usual for this time of the year. Overall buying interest remains fair. Some retail outlets are adjusting their prices to be more in line with the cash price, thus retail sales are reported to be stronger. Food service orders are seasonally active as the summer vacation season is in full swing. Sales of bulk butter, f.o.b. East, are reported in a range of flat market to 4 cents over the CME price/average.

CENTRAL

Butter markets remain weak, although the cash price has firmed slightly in recent trading. The current cash price is nearly \$1.00 lower than last year at this time. Churning activity is seasonally active, although cream supplies have tightened. Demand for available cream from Class II product producers has increased, limiting volumes available to butter producers. Central producers report that cream offerings from other areas of the country have dropped quite sharply in

the past week. Stocks of butter continue to be readily available for current needs. Orders are seasonally fair at best. Some scattered retail feature activity is being reported which is clearing good volumes of print butter. Food service orders are seasonally steady. Bulk butter for spot sales is selling in a range of flat – 2 cents per pound over various pricing basis and often these prices are negotiable, especially if multiple loads are involved.

WEST

Butter production remains heavy enough that more firms have to go to storage with more of their current production. The surge of milk occurring as schools close for the summer means that more plants are operating on full schedules. Some additional call for cream is noted from ice cream plants, but not up to normal levels for this time of year. Butter demand is only fair at best. Some comments are noted that smaller retail stores are more aggressively marketing butter by reducing prices as the wholesale and cash price for butter declines. CME weekly butter stocks grew by 1.5 million pounds this past week and now stand at 149.4 million pounds. This is the smallest weekly increase noted this year (Easter week was negative). Current prices for bulk butter range from 4 1/2 cents to 2 1/2 cents under market based on the CME with various time frames and averages.

NASS DAIRY PRODUCT PRICES
 U.S. AVERAGE AND TOTAL POUNDS

WEEK ENDING	CHEESE		NDM	BUTTER	DRY WHEY	MILKFAT	
	40# BLOCKS	BARRELS 38% MOISTURE				CLASS II	ALL CLASSES
JUN 15	1.1686 7,963,955	1.1424 13,056,823	0.9005 34,356,325	1.0547 2,662,646	0.1650 11,264,630	1.4293 2,315,011	1.3848 4,565,824

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

CHEESE MARKETS

NORTHEAST

Wholesale prices are steady to mostly lower. Current cheese production remains seasonally active. The settlement of a labor strike did reduce surplus milk volumes and the pressure on other manufacturing facilities. However, as schools close for summer, additional milk supplies back into manufacturing channels. Current cheese supplies are at least adequate for needs. Improved weather at resort areas is helping cheese sales. Retail movement is spotty, mostly fair at best.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.2050-1.6700
Cheddar Single Daisies	:	1.1625-1.6225
Cheddar 40# Block	:	1.2825-1.4925
Process 5# Loaf	:	1.3325-1.5175
Process 5# Sliced	:	1.3525-1.6300
Muenster	:	1.3650-1.5725
Grade A Swiss Cuts 10 - 14#	:	2.3500-2.5500

MIDWEST

The cheese market remains weak. At least a few plant operators/traders have recalculated the cost for clearing surplus cheese to CCC compared to selling commercially. From recent experience, process perhaps may be the easier product to clear through the support program. Current cheese offerings continue to exceed demand. Cheddar blocks and mozzarella, depending on package, are particularly long. Cutter/shred orders have improved and process sales are occasionally improved. A few buyers have been looking for cheddar with some age, at least medium. Cream cheese interest is improving, particularly at current lower prices. Recent weather conditions, often cool and wet east of the drought area, have provided limited stress to current milk production patterns.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.3050-1.6700
Brick And/Or Muenster 5#	:	1.5300-1.7025
Cheddar 40# Block	:	1.5050-2.1150
Monterey Jack 10#	:	1.7100-2.1150
Blue 5#	:	1.8850-2.2400
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.4475-2.2150
Grade A Swiss Cuts 6 - 9#	:	1.9175-2.6850

MIDWEST COMMODITY CHEDDAR

Dollars per pound, standard moisture basis (37.8-39.0%),
carlot/trucklot, F.O.B. plants or storage centers.

CHEDDAR STYLES : JUNE 17 - 21, 2002

BARRELS*	:	\$1.1025 - 1.1400 (NOMINAL)
	:	(-\$.0200) (-.0050)
40# BLOCKS	:	\$1.1325 - 1.1600 (NOMINAL)
	:	(\$.0025) (-.0150)

() Change from previous week. * If steel, barrel returned.

WEST

Natural and process cheese prices declined again this week. This is the seventh week in the last eight that prices have declined. Cash prices at the CME for both barrels and blocks are flirting with the support price. There is a difference of opinion in the West whether demand from processors is slower or if the bigger problem is with natural cheese interest. Cheese inventories remain heavy with some producers going longer distances to find available storage capacity. Spring and early summer cheese promotions at retail stores are not having the positive impact normally noted on the market. A number of cheese manufacturers are attempting to sell some milk to reduce production runs and are not having much success. Any bids they are getting for the milk are under class. Cheese yields are falling at a much faster rate in those areas that are experiencing extended periods of 100 degree and higher temperatures.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.2775-1.5375
Cheddar 40# Block	:	1.2625-1.4025
Cheddar 10# Cuts	:	1.4425-1.6625
Monterey Jack 10#	:	1.4525-1.6175
Grade A Swiss Cuts 6 - 9#	:	2.3000-2.4700

FOREIGN

Current interest remains at seasonally light levels. Prices are unchanged on imported and steady to mostly lower on domestic. Inventory is at least adequate for current needs. EU and U.S. cheese production is seasonally active.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Roquefort	: TFEWR	: -0-
Blue	: 2.6400-3.1400	: 1.5075-2.9975*
Gorgonzola	: 3.2400-5.9400	: 2.0075-2.4900*
Parmesan (Italy)	: TFEWR	: 2.9225-2.9775*
Romano (Italy)	: 2.1000-3.1500	: -0-
Provolone (Italy)	: 3.4400-5.5000	: 1.5100-1.7350*
Romano (Cows Milk)	: -0-	: 2.7000-4.8800*
Sardo Romano (Argentina)	: 2.8500-3.2900	: -0-
Reggianito (Argentina)	: 2.6900-3.2900	: -0-
Jarlsberg-(Brand)	: 2.7500-3.6900	: -0-
Swiss Cuts Switzerland	: -0-	: 2.3500-2.5500
Swiss Cuts Finnish	: 2.6000-2.8500	: -0-
Swiss Cuts Austrian	: TFEWR	: -0-
Edam	:	:
2 Pound	: TFEWR	: -0-
4 Pound	: 2.1900-2.8900	: -0-
Gouda, Large	: 2.3900-2.6500	: -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	: 27.8000-31.7000	: -0-

* = Price change.

WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

BUTTER : CHEESE

	:	
06/17/02	70,281	: 139,618
06/01/02	67,412	: 138,335
CHANGE	2,869	: 1,283
% CHANGE	4	: 1

FLUID MILK AND CREAM

E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	0	32	0	63*	0	70
SOUTHEAST STATES	0	0	0	0	0	0

*Revised

Regional Milk Market Administrators announced the following, April 2002 uniform prices: Northeast \$12.63, Mideast \$11.63, Southeast \$12.89, Florida \$14.55, and Western New York (a state order) \$11.93 at the base city or county in the orders. (For the Northeast, Mideast, and Western New York orders, statistical uniform prices are reported.) During May, milk production in the 20 major states totaled 13.05 billion pounds, up 3.2% from May 2001. The following are the May-to-May changes for selected states: Texas +1.7%, Vermont +2.6%, Virginia +4.2%, New York +6.9%, Pennsylvania -0.1%, Kentucky -0.6%, and Florida -2.1%. Milk production is steady to easing lower in the more northern areas and scattered parts of the mid-South, generally lower elsewhere. High temperatures are taking their toll on milk output in Florida and other Southeastern states. Florida's milk supply and needs are in better balance and shipments out of state are falling. In fact, last week's total was revised lower. Bottled milk sales are pretty much in the "summer mode" now that schools in nearly all states are on summer vacation. Surplus milk diversions are lighter in most areas. The strike at a major candy maker's plants is over and milk intakes are getting back to normal. This is easing the pressure on local manufacturing plants. Some Southeastern balancing plants are now shut and others are operating only on weekends or reduced schedules. In the Northeast, surplus milk supplies are lighter and plants are more easily able to clear the milk. Contacts report less distressed milk is being cleared. The condensed skim market is little changed. Prices are unchanged, but the supply/demand scenario is in better balance. Some suppliers report improved spot sales while others still move only contracted volumes. The fluid cream market is improving. Supplies are tighter and multiples are increasing. Despite the rising multiples, spot prices are lower following the 8.25-cent drop in last week's average CME butter price. Some suppliers are reportedly scrambling to find a few extra loads to cover their improved sales. Hot weather has given ice cream sales a boost, particularly soft serve. Ice cream makers are stepping up output and many are now at typical summer levels. Bottled cream orders are holding up fairly well, but the berry season is drawing to a close except in the Northeast. Churning activity is lighter.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.2869-1.3984
DELIVERED EQUIVALENT ATLANTA	-	1.2970-1.4186 M 1.3173-1.3781
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.3173-1.4186

PRICES OF CONDENSED SKIM, \$ PER LB WET SOLIDS

F.O.B. PRODUCING PLANTS:	
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	- .9200-1.0250
NORTHEAST- CLASS III - SPOT PRICES	- .7500- .9600

M I D W E S T

Class I demand is steady to lighter though promotional activities did stimulate retail sales in selected markets. Overall milk supplies remain seasonally heavy though easing slightly lower due to reduced shipment volumes from other areas of the country. At least in the northern tier of states, relatively cool weather for milk production has helped extend/cause another peak. Regardless, milk intake levels seem to be holding steadier than usually expected. Manufacturing milk interest is spotty, ranging from slower to improved. Reported spot milk prices range from \$1.00 under class to at least \$.75 over class. Cream interest from ice cream accounts is improved and supplies have tightened rapidly, partly due to less cream generated from standardized milk from school accounts and lower fat tests. Cream prices are lower due to the decline in the Chicago

Mercantile Exchange butter average but multiples are increasing. Manufacturers are also active in producing whipped and sour cream as well as dips for the upcoming holiday. Condensed skim interest is good from Class II accounts and soft from Class III. Current condensed prices range from \$.85 - 1.00. Weather varies from dry in the Dakotas and west to wet in Minnesota, Illinois, and Wisconsin. First cutting hay quality is very spotty with some fields still standing due to frequent showers and others taking extended periods to dry adequately. Some fields, corn and/or beans, remain saturated and, in instances, replanting has occurred. Some corn is getting cultivated and other fields sprayed and top-dressed.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	JUNE 13 - 19	PREVIOUS YEAR
SLAUGHTER COWS	\$ 39.00- 46.00	\$ 43.00- 49.50
REPLACEMENT HEIFER CALVES	\$350.00-560.00	\$400.00-495.00

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	JUNE 13 - 19	PREVIOUS YEAR
SLAUGHTER COWS	\$ 36.00- 43.50	\$ 47.00- 54.00

W E S T

U.S. milk production in May totals 13.0 billion pounds, up 3.2% from one year earlier. Cow numbers increased 14,000 from last year and production per cow increased 3.0%. April output is increased to 3.3% higher than April 2001. Output for the last three months has been more than 3% higher than a year earlier. Cumulative output for the year is up 2.74% from the same period last year. May output for selected Western states compared to last year is as follows: Arizona +10.8%, California +5.7%, Idaho +5.0%, New Mexico +15.8%, and Washington +2.9%. Cow numbers in these five states increased 115,000 head from last year. Only Arizona, of the Western states, has milk per cow higher than the U.S. average. Temperatures over most of CALIFORNIA are moderate at normal seasonal levels. The stress on the dairy herds is minimal at this time and milk production continues to hold very near the seasonal peak. Hotter conditions are noted down in the Imperial Valley, but this is not unusual for the middle of June. A power outage in the Central Valley caused some milk shipment disruptions as plants scrambled to get milk processed in a timely fashion. By the next day, things had returned to normal. A packaged fluid milk recall because of antibiotics also caused some shifting of finished milk products to meet retail demand. Some contacts commented that retail shelves were not stocked at normal levels, but supplies were available to consumers. Milk output is declining at a faster rate in ARIZONA and NEW MEXICO. Daytime temperatures, on a regular basis, are over 100 degrees and nights are only cooling off to the low 80's. Stress levels are increasing and milk production is declining. Product yields are declining more rapidly down to summer time levels. More concern is noted about the dry conditions in the region. New large fires are starting on a regular basis and irrigation allotments are being cut. The hay harvest is continuing, but yields are well below expectations with quality being rated as average. Milk output in the PACIFIC NORTHWEST remains seasonally heavy. Plants continue to run on extended operating schedules. School closings and the upcoming midweek holiday will continue to test plant capacity. More producers are contracting grain needs as they see prices may possibly move higher due to growing problems in parts of the Corn Belt. New crop hay is coming into the market, but much of it is showing light to moderate rain damage. More damage is showing up in grain and hay crops in UTAH and IDAHO from the frost of a few weeks ago. Some corn and hay fields are dead. The problems are not widespread, but in areas they are severe. Yields on the first cutting hay were quite variable ranging from average to disappointing. Milk production is holding up quite well. Weather conditions have been good for the spring milk flow. Scattered instances of much weaker heifer prices were noted at some sale barns in the region. This certainly may only be a one week phenomenon, time will tell.

NDM, BUTTERMILK & WHOLE MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Prices are unchanged. Production is steady to slightly lower in response to lower milk output and milk diversions into Class II and III facilities where possible. Heavy movement into the CCC is encouraging less spot availability of low heat and encouraging producers to offer at higher prices. Imported NDM is less available than in weeks prior yet low heat demand is generally light. High heat production is generally unchanged for the contractual interest.

EAST: Prices are steady to fractionally higher and the market tone is unchanged. Production levels are lighter as surplus milk volumes are starting to decrease along seasonal patterns. Manufacturing plants in the Southeast have greatly reduced operating schedules, while Northeast operations have seen only slight to moderate reductions. Most Northeastern schools have completed their school-year during the past two weeks. The resulting loss of Class I consumption offset the seasonal declines in milk production. Condensed skim demand seemed to improve during the first half of June and this has helped ease the pressure on dryers. This has allowed more plants to make high heat NDM as their stocks had dropped below desired levels. Also, demand for high heat seems to be improving faster than low heat interest. Producers report "decent" interest for NDM, but no real big move to buy too far ahead. Recent comments from some in the trade note that a tilt would help domestic demand, but in all likelihood would result in lower milk prices to farmers. They feel that in a year when all of the House of Representatives are up for re-election, it seems unlikely that a tilt will occur before November. Sales to CCC continue to balance regional supplies. Most powder seems to be moving at prices at or near the low end of the ranges.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: .8975 - .9475 MOSTLY: .8975 - .9025
 HIGH HEAT: .9300 - 1.0000

NONFAT DRY MILK - WEST

Prices for Western low/medium heat powder are generally holding steady. Demand continues to be centered around acquiring powder on an as needed basis. The problem is that buyers don't need much powder at this time and offerings remain very heavy. While most buyers feel that the possibility of a tilt is only theoretical at this time, there is still no reason to have any extra powder on hand. Milk supplies, and therefore drying schedules, remain very heavy. Hotter weather conditions in the Southwest probably means that the peak in milk output is past and that production will be declining as the stress on the milking herds increases. Ongoing daytime temperatures above 100 degrees and warmer nights are much more common. During the week of June 10-14, adjusted support program purchases totaled 19.4 million pounds of NDM with 15.7 million pounds coming from the West. Demand for high heat powder is increasing seasonally. A number of producers have to make decisions about whether they can afford to slow down dryer throughput at this time to make high heat powder. Decisions are being made both ways on what to do.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: .8700 - .9575 MOSTLY: .8900 - .9025
 HIGH HEAT: .9150 - .9500

CALIFORNIA MANUFACTURING PLANTS - NONFAT DRY MILK

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
June 14	\$.9003	16,277,717	11,153,801
June 7	\$.8990	14,678,374	9,084,588

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

DRY BUTTERMILK - CENTRAL

Prices remain unchanged on a market that remains steady yet lackluster. Production is slowing as milk is diverted away from churns and into Class II items. However, since the seasonal decline in production is occurring late in the year, production is heavier than anticipated. While ice cream interest is increasing, the level of buttermilk intake by these plants is insufficient to impact the building supplies of dry buttermilk. Because buyer interest is light, manufacturers are not inclined to discount prices to clear heavy stocks. Condensed buttermilk demand is fair at best.

F.O.B. CENTRAL: .8000 - .9000

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices and the market tone are unchanged. Eastern prices remain nominal. Some improved interest was noted for both liquid and dry buttermilk, but overall demand is slow. As ice cream production "kicks in," demand for buttermilk usually improves. With relatively low cream prices in the market place, there isn't a big push to buy dry buttermilk. Production levels are lighter now that the fluid cream market is firming and churning activity is easing. Producer stocks are reported as a little long, but not a concern at this time.

F.O.B. NORTHEAST: .7800 - .8350
 DELVD SOUTHEAST: .8000 - .8650

DRY BUTTERMILK - WEST

Western buttermilk powder prices moved sharply lower as producers try to stimulate some additional sales activity. Demand continues to be lackluster. Producers are worried that the normal demand season is fast slipping by without much buyer interest. Sales of condensed buttermilk are also rated as very slow for this time of year. This, of course, means more dry buttermilk being produced. Some contacts are stating that less cream is being offered to the churns at this time and that should mean less buttermilk production down the road. Inventories are generally larger than desired.

F.O.B. WEST: .7600 - .8300 MOSTLY: .7800 - .8000

DRY WHOLE MILK - NATIONAL

Prices and the market tone are unchanged. The prices remain nominal. Production levels are still geared to meeting contracts and few producers have loads available for immediate shipment. Spot demand is slow to fair at best.

F.O.B. PRODUCING PLANT: 1.1150 - 1.1850

DEIP BID ACCEPTANCE SUMMARY

JULY 1, 2001 THROUGH JUNE 14, 2002
 WITH CHANGES FROM PREVIOUS REPORT

NONFAT DRY MILK -- 68,201 MT (150,355,925 LBS)
 This program-year's allocation is filled.

CHEESE -- 3,495 MT (7,705,077 LBS)#
 This program-year's allocation is filled.
 # Includes reallocated volumes.

Allocations for the DEIP year beginning July 1, 2001: Nonfat dry milk -- 68,201 MT; Cheese -- 3,030 MT; Butterfat -- 21,097 MT.

WHEY, CASEIN & EVAPORATED MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

DRY WHEY - CENTRAL

Prices are unchanged to lower on a steady to weak market. Some plants continue to clear block loads at the lower end of the range. At other locations, plants are holding prices steady. However, inventories are generally heavy and production is steady to higher as some locations opt to make cheese instead of NDM. Whey interest is light into domestic edible markets. Some feed buyers are contracting supplies at the lower prices for the remainder of the year. Demand into Mexico is good with unconfirmed sales reported below the range FOB. Movement into Asian or South American markets is mostly nominal. Neither buyer nor seller is certain of prices in the near term.

F.O.B. CENTRAL: .1500 - .1600 MOSTLY: .1500 - .1600

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices and the market tone are unchanged. However, Eastern producers do note that output is starting to slow down and stocks are not as long as they have been. In fact, one operation reports that an export deal cleaned up their inventory and they have nothing to move on the spot market. Other Eastern producers report balanced stocks and little change to market conditions. Spot demand remains unaggressive and most buyers continue to look for the lowest price. It appears that prices may have leveled off in the eastern half of the country, but buyers and sellers are cautious in their assessment of the market. To some in the market, there isn't too much downside to putting a little away at current prices, particularly if they have product under contract and don't have to "shop" for it. Cheese output is mostly steady, but starting to slow in some areas. Conversely, there were instances where cheese makers did add a day's production because of extra condensed skim and/or milk.

F.O.B. NORTHEAST:	EXTRA GRADE	.1625 - .1700
	USPH GRADE A	.1725 - .1900
DELVD SOUTHEAST:		.1825 - .1950

DRY WHEY - WEST

Prices moved sharply lower on the basis of some new export sales activity to the Fareast. Evidently, Australia and the U.S. shared in filling the tender. Europe appears to have been shut out because of concern over some feed additives that might appear in the whey. The sale was not large enough to clear up stocks still accumulating in various warehouses. Production remains heavy and domestic sales are not good enough to clear the current offerings in a timely fashion. The general market tone continues to be weak.

NONHYGROSCOPIC: .1350 - .1750 MOSTLY: .1400 - .1600

ANIMAL FEED WHEY - CENTRAL

Prices are generally unchanged on steady to weak markets. Milk replacer supplies are tight with some locations offering supplies at the lower end of the Extra Grade range to the dismay of some buyers. Roller ground prices are unchanged on steady production schedules with some increased export interest. Delactose production is trending lower for the fair demand. Inventories are generally in balance and buyers are accepting of prices, even as WPC 34% prices continue to trend lower. Early weaned pig prices are trending lower while the North Central veal market is steady.

F.O.B. CENTRAL:	
MILK REPLACER:	.1400 - .1500
ROLLER GROUND:	.1500 - .1875
DELACTOSE (Min. 20% protein):	.3500 - .3650

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are lower on a weak market. Competitive supplies of imported product are decreasing, yet movement of WPC 34% remains stagnant. Resellers are running long on supplies and finding product difficult to clear, even at discounts 2-3 cents below the average. Production is steady and inventories are mixed. Some locations are heavy while others are generally in balance. Feed interest is better than the week prior with some buyers seeking contractual loads for the remainder of the year. Export interest is good into Mexico and light elsewhere. Off grade supplies are readily available for the light interest at prices well below the range.

F.O.B. EXTRA GRADE 34% PROTEIN: .4250 - .5000 MOSTLY: .4500 - .4775

LACTOSE - CENTRAL AND WEST

Prices are unchanged on a weak market. Trading is very light. Contract negotiations for the third quarter are expected to be delayed due to the greater availability of product on the spot market. Some buyers may also contract less than second quarter. Prices are anticipated to move at least a penny lower. Production is mostly steady and inventories are in balance to instances long. Inquiries from pharmaceutical firms are noted. EU product is reportedly competitive with US supplies for the light export interest. Off grade product is competitive with dextrose into the feed market at prices below the bottom of the range.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

F.O.B. EDIBLE: .1450 - .2625 MOSTLY: .1500 - .2000

CASEIN - NATIONAL

Casein markets remain weak with prices generally unchanged. Most domestic buyers continue to purchase on an as needed or short term basis. Buyers feel that supplies will remain available for the near future, thus are not too concerned about contracting at this time. Many casein buyers and potential producers anticipated the outcome of the first round of bidding of government owned skim milk powder for the production of casein/caseinates. Most felt that early bids would be lower than the government was willing to accept, thus rejection of all bids was not surprising. Domestic buyers state that it is too early to project what impact the most recent production aid adjustment in the EU will have on availability and prices for them.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET:	2.0500 - 2.2500
ACID:	1.8000 - 2.1000

EVAPORATED MILK - NATIONAL

Prices and the market tone are unchanged. The market remains highly competitive. Production levels are easing somewhat as the glut of milk seen during May and early June is starting to disappear. Demand for canned evaporated milk is seasonally fair. Producer stocks are growing which is typical for this time of year.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$18.50 - 31.00

Excluding promotional and other sales allowances. Included new price announcements.

CHICAGO MERCANTILE EXCHANGE FUTURESSelected settling prices, (open interest), and volume 1/

Month	06/05	06/06	06/07	06/10	06/11	06/12	06/13	06/14	06/17	06/18
CME - (CLASS III) MILK FUTURES -- Dollars per cwt.										
JUN 02	10.35 (2571) 6	10.35 (2602) 89	10.30 (2594) 1	10.25 (2607) 12	10.26 (2640) 45	10.20 (2640) 0	10.20 (2651) 14	10.15 (2653) 2	10.16 (2634) 29	10.15 (2634) 4
JUL 02	10.90 (2993) 246	10.90 (3001) 33	10.77 (3000) 1	10.67 (3000) 1	10.70 (3039) 61	10.35 (3024) 59	10.43 (3026) 109	10.30 (3042) 42	10.30 (3049) 42	10.20 (3031) 144
AUG 02	11.73 (2570) 247	11.75 (2588) 25	11.72 (2583) 10	11.68 (2583) 13	11.68 (2596) 61	11.39 (2597) 16	11.40 (2624) 74	11.30 (2636) 76	11.25 (2677) 67	10.96 (2643) 66
SEP 02	12.25 (2830) 251	12.26 (2830) 16	12.26 (2829) 15	12.25 (2834) 24	12.35 (2907) 149	12.07 (2960) 76	12.10 (3009) 77	12.00 (3104) 139	11.90 (3147) 76	11.55 (3127) 130
OCT 02	11.86 (1889) 216	11.87 (1935) 48	11.87 (1935) 17	11.77 (1934) 11	11.82 (1985) 67	11.70 (1989) 12	11.68 (2000) 15	11.68 (2022) 51	11.66 (2053) 41	11.36 (2058) 110
NOV 02	11.80 (1070) 35	11.75 (1071) 2	11.65 (1070) 4	11.60 (1071) 2	11.61 (1067) 19	11.50 (1068) 13	11.55 (1070) 14	11.50 (1077) 18	11.46 (1080) 15	11.25 (1083) 5
DEC 02	11.72 (802) 11	11.70 (802) 3	11.66 (802) 2	11.64 (803) 8	11.64 (800) 3	11.40 (800) 0	11.40 (800) 2	11.40 (836) 46	11.39 (849) 25	11.20 (855) 28
JAN 03	11.50 (123) 0	11.50 (123) 0	11.50 (123) 0	11.50 (124) 1	11.50 (193) 83	11.35 (193) 3	11.32 (195) 4	11.10 (202) 17	11.10 (205) 4	11.20 (207) 3
FEB 03	11.42 (99) 5	11.50 (99) 0	11.50 (99) 0	11.50 (100) 1	11.50 (100) 0	11.50 (100) 0	11.44 (101) 1	11.36 (104) 5	11.36 (112) 21	11.35 (158) 53
MAR 03	11.36 (100) 0	11.36 (100) 0	11.36 (100) 0	11.36 (85) 16	11.36 (85) 7	11.35 (85) 1	11.36 (85) 0	11.36 (87) 6	11.36 (90) 4	11.35 (92) 3
APR 03	11.48 (69) 0	11.48 (69) 0	11.48 (69) 0	11.48 (70) 1	11.48 (70) 0	11.48 (71) 1	11.46 (71) 0	11.46 (72) 2	11.46 (77) 7	11.46 (80) 5
MAY 03	11.68 (51) 0	11.68 (51) 0	11.68 (51) 0	11.68 (53) 3	11.68 (53) 0	11.68 (55) 2	11.64 (58) 3	11.64 (72) 16	11.63 (72) 4	11.55 (72) 2
JUN 03	12.16 (9) 0	12.16 (9) 0	12.16 (9) 0	12.16 (28) 19	12.15 (28) 0	12.12 (42) 14	12.00 (44) 2	12.00 (44) 1	12.00 (44) 0	11.95 (45) 1
CME - CLASS IV MILK FUTURES - Dollars per cwt.										
JUN 02	10.70 (380) 0	10.70 (355) 35	10.65 (355) 0	10.65 (355) 0	10.65 (346) 9	10.55 (346) 0	10.55 (346) 0	10.55 (346) 0	10.55 (346) 0	10.55 (338) 0
JUL 02	10.85 (504) 0	10.84 (504) 0	10.80 (502) 0	10.80 (510) 13	10.75 (509) 7	10.60 (520) 27	10.50 (520) 0	10.50 (520) 0	10.50 (520) 0	10.50 (513) 0
AUG 02	10.72 (464) 0	10.72 (464) 10	10.72 (469) 5	10.72 (469) 0	10.72 (469) 0	10.55 (473) 27	10.50 (473) 0	10.50 (473) 0	10.50 (473) 0	10.50 (471) 0
SEP 02	10.85 (420) 0	10.85 (420) 0	10.85 (420) 0	10.85 (420) 0	10.83 (420) 3	10.70 (429) 22	10.70 (429) 0	10.70 (429) 0	10.70 (429) 0	10.70 (425) 0
OCT 02	10.85 (374) 0	10.85 (374) 0	10.85 (374) 0	10.85 (374) 0	10.83 (374) 3	10.70 (383) 22	10.70 (383) 0	10.70 (383) 0	10.70 (383) 0	10.70 (383) 0
NOV 02	10.90 (275) 0	10.90 (275) 0	10.90 (275) 0	10.90 (275) 0	10.86 (272) 3	10.70 (283) 22	10.70 (283) 0	10.70 (283) 0	10.70 (283) 0	10.70 (283) 0
DEC 02	10.80 (119) 0	10.80 (119) 0	10.80 (119) 0	10.80 (119) 0	10.80 (119) 0	10.80 (130) 22	10.80 (130) 1	10.70 (130) 0	10.70 (130) 0	10.70 (130) 0
JAN 03	11.13 (50) 0	11.05 (50) 0	11.05 (50) 0	11.05 (50) 0	11.00 (51) 1	10.75 (51) 0	10.75 (51) 0	10.75 (51) 0	10.75 (51) 0	10.75 (51) 0
FEB 03	11.30 (38) 0	11.20 (38) 0	11.20 (38) 0	11.19 (38) 0	11.15 (38) 0	11.05 (38) 0	11.00 (38) 0	10.90 (38) 0	10.90 (38) 0	10.90 (38) 0
MAR 03	11.25 (20) 0	11.25 (20) 0	11.25 (20) 0	11.25 (20) 0	11.20 (20) 0	11.10 (20) 0	11.05 (20) 0	10.95 (20) 0	10.95 (20) 0	10.95 (20) 0
APR 03	11.25 (2) 0	11.25 (2) 0	11.25 (2) 0	11.25 (2) 0	11.25 (2) 0	11.25 (2) 0	11.25 (2) 0	11.25 (2) 0	11.25 (2) 0	11.25 (2) 0
CME - BUTTER FUTURES -- Cents per pound										
JUL 02	108.75 (372) 8	108.00 (372) 5	108.50 (371) 4	106.00 (369) 6	106.00 (356) 30	101.00 (358) 5	101.00 (358) 3	104.00 (358) 2	103.50 (356) 8	103.25 (355) 13
SEP 02	112.00 (290) 5	111.00 (292) 4	111.00 (292) 1	110.00 (292) 2	108.50 (297) 18	105.00 (294) 5	104.50 (295) 2	107.00 (295) 0	107.00 (295) 0	107.00 (294) 4
OCT 02	113.50 (237) 6	112.25 (239) 2	112.25 (236) 4	110.50 (237) 10	110.25 (249) 34	107.00 (249) 2	107.00 (249) 0	109.00 (249) 0	109.00 (251) 2	108.50 (250) 1
DEC 02	114.00 (47) 0	114.00 (47) 0	114.00 (47) 0	113.75 (50) 3	113.00 (58) 9	110.00 (58) 0	110.00 (58) 0	110.00 (58) 0	110.00 (58) 0	110.00 (58) 0
CME - NONFAT DRY MILK FUTURES -- Cents per pound										
JUL 02	89.85 (8) 0	89.85 (8) 0	89.85 (8) 0	89.85 (8) 0	89.85 (8) 0	89.85 (8) 0	89.85 (8) 0	89.85 (8) 0	89.85 (8) 0	89.85 (8) 0

1/ At the CME open interest for milk -- 200,000 pounds per contract. For more detailed information, you may call our automated voice system at 608-224-5088.

INTERNATIONAL DAIRY MARKET NEWS

Information gathered June 10 - 21, 2002

Prices are U.S. \$/MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

WESTERN AND EASTERN EUROPE

OVERVIEW: WESTERN EUROPE: For the most part, milk production throughout Europe is on the down side of the seasonal peak. The most recent figures indicate that milk production through April is 3.5% ahead of last year with May estimates to be running between 2 - 3% ahead of last season. In Germany, milk production seems to be lagging last year, but output in the UK and France is stronger. In the UK, following a negative year with the foot and mouth outbreak, April's milk output is reported to about 9% ahead of both 2000 and 2001. May's output is estimated to be about 4% heavier. During the past week to ten days, temperatures and humidity levels throughout most of Western Europe are very high. Producers and handlers anticipate milk receipts to reflect these adverse conditions in the near future. Up to this point, conditions have been quite favorable for good milk production patterns, but handlers anticipate that these conditions will accelerate the seasonal decline. On June 14th, intervention for skim milk powder was closed. The 109,000 MT level had been breached. Now the EU Management Committee has instituted a tendering system for subsequent offerings. This is the first time since 1991 that a tendering system has been used to clear additional skim milk powder offerings. The first round under the tendering system will close on June 25. Producers and handlers anticipate the tendering system to operate within two week periods until the end of August when intervention closes. Some producers are indicating that if milk production declines as quickly as could happen with current adverse temperatures and humidity levels, clearances to intervention might drop quite suddenly. Another development out of the most recent Management Committee was additional export refund increases for skim and whole milk powder. Many traders and handlers feel that this increase is still not sufficient to encourage additional international sales activity out of Europe. The Committee also increased the casein production aid to over 50% in the past four weeks. The increases in skim and whole milk powder export refunds became effective the day following the announcement with both casein production aids becoming affective on Saturday, June 22.

BUTTER/BUTTEROIL: European butter prices are unchanged although the market tone remains weak. Milk production is declining seasonally, although a significant volume of milk continues to clear through butter/powder plants. Current production patterns are surpassing demand, thus surplus volumes are being offered to intervention and PSA. There are virtually no international butter sales being reported at this time with most trading occurring for internal or domestic needs.

82% BUTTERFAT:	1,000 - 1,100
99% BUTTERFAT:	1,250 - 1,350

SKIM MILK POWDER (SMP): Skim milk powder markets remain weak, although prices are generally holding steady. As of June 14, intervention has been filled, thus a tender system is now in place for subsequent offerings. This is the first time a tender system has been used since 1991. The first round of tenders is open until June 25th. Most handlers and traders indicate that the most recent export refund increase will have minimal impact on potential international sales out of Europe. Traders state that because international buyer interest is light, this adjustment (fifth since late 2001) is still not enough to price European stocks competitively.

1.25% BUTTERFAT:	1,200 - 1,300
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WHOLE MILK POWDER (WMP): Whole milk powder prices are unchanged, although the market tone is mixed. Some producers and handlers report that a slight increase in buyer interest is occurring, especially for internal or domestic needs. This slight increase is also more of a long term interest versus short term. Producers state that stocks of powder are available or will become available if this interest continues.

26% BUTTERFAT:	1,250 - 1,350
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SWEET WHEY POWDER: Whey powder markets are mixed with prices generally unchanged. Stocks of European whey are reported to be readily available, although prices are often higher than buyers are willing to pay. Reports indicate that the recent Japanese whey tender was filled from sources other than Europe at delivered prices, below European f.o.b. port prices.

NONHYGROSCOPIC:	375 - 470
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EASTERN EUROPE: Milk production in Eastern Europe has basically peaked and, in more areas, is declining seasonally. Weather conditions in Eastern Europe have not been as favorable as in Western Europe, with dry conditions more prevalent. Stocks of manufactured dairy products are reported to be sufficient for needs, although some international traders, outside of this region, are questioning if this is really the case. The recent significant sale to Algeria, with product being sourced out of Eastern Europe, is generating this concern.

OCEANIA

OVERVIEW: The 2001 - 2002 Oceania milk production season has now ended. For the most part, producers and handlers were quite pleased with the stronger than anticipated year in total. In New Zealand, the 5.4% increase over the previous year is basically unchanged from previous reports, while in Australia, their production figure is stronger. For 10 out of 12 months, Australia's output is 6.6% ahead of last year. Australian milk handlers are attributing their strong season to a very positive production trend in Victoria. It's production season was nearly 9% heavier than the previous year with output during the most recent 5 months running between 10 - 20% heavier on a comparable monthly basis. Most manufacturing facilities are now down until the new milk production year begins in August. Stocks of manufactured dairy products are reported to be in balance for known and projected needs. In most instances, handlers indicate that they will be able to comfortably meet their commitments during the next few months. Most of Oceania's stock of manufactured dairy products is committed for future delivery, although minimal amounts of some dairy products are still uncommitted. Often, producers and handlers are not overly concerned about these uncommitted volumes as they will provide a cushion as orders develop at the start of the new production season in August and September. Oceania manufacturers and handlers continue to monitor recent international dairy market developments around the world. Casein producers were not overly surprised at the outcome of the first round of bidding to purchase U.S. government owned skim milk powder for the production of casein in the States. They also are closely monitoring the most recent announcements by the EU Management Committee on increased export refunds for skim milk powder and higher production aid for casein in Europe. Of the two recent announcements, Oceania handlers are most concerned about the casein production aid increase and the potential impact this will have on Oceania produced casein.

BUTTER: Oceania butter markets and prices are generally unchanged. The milk production season has come to a close in both Australia and New Zealand, thus future orders and shipments will be filled from inventoried stocks. Producers and handlers indicate that orders are not overly aggressive. Most transactions are centering around regular and ongoing customer needs. Traders are comfortable with their inventory situation in relationship to supply/demand for the next few months.

82% BUTTERFAT:	925 - 1,000
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CHEDDAR CHEESE: The cheese market tone is steady to weak with prices basically unchanged. Traders report that stocks are fully sufficient to meet current and future needs. Some are indicating cheese with some age is being offered at the lower end of the reported range while current cheese offerings are at the upper end of the range. Overall cheese stocks are sufficient to meet current and projected needs. Traders are comfortable with their supply situation in relationship to demand.

39% MAXIMUM MOISTURE:	1,500 - 1,700
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SKIM MILK POWDER (SMP): Skim milk powder prices are generally unchanged, although the market tone remains weak. Oceania traders report that the most recent export refund adjustment will have minimal impact on near term sales activity out of the region. Most indicate that transactions have basically been finalized for the next few months or until the new production season resumes in August. Many say that this adjustment will only cause international prices to remain weak when Oceania's new milk production season begins in a few months.

1.25% BUTTERFAT:	1,200 - 1,275
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WHOLE MILK POWDER (WMP): Oceania whole milk powder prices are holding steady, although the market tone remains weak. Traders indicate that known sales will clear the majority of their inventoried stocks during the next few months. Some stocks are reported to be uncommitted, although these volumes are limited and not enough to cause major concern for handlers and traders. Some indicate that carrying a little stock into a new production year is easier to handle than nothing at all.

26% BUTTERFAT:	1,200 - 1,275
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Exchange rates for selected foreign currencies: JUNE 17, 2002

.6459 Canadian Dollar	.0204 Indian Rupee
.2793 Argentina Peso	.4841 New Zealand Dollar
.1041 Mexican Peso	.5580 Australian Dollar
1.4796 British Pound	.0080 Japanese Yen
.2469 Polish Zloty	.9439 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.1041)= 9.6061. That is 1 US Dollar equals 9.6061 Mexican Pesos. Source: "Wall Street Journal"

MAY MILK PRODUCTION

Milk production in the 20 major states during May totaled 13.0 billion pounds, up 3.2 percent from May 2001. April revised production, at 12.6 billion pounds, was up 3.3 percent from April 2001. The April revision represented an increase of 0.3 percent or 42 million pounds from last month's preliminary estimate.

Production per cow in the 20 major states averaged 1,681 pounds for May, 49 pounds above May 2001.

The number of cows on farms in the 20 major states was 7.76 million head, 14,000 head more than May 2001, and 9,000 head more than April 2002.

MAY 2002 MILK COWS AND MILK PRODUCTION, BY STATES

STATE	MILK COWS 1/		MILK PER COW 2/		MILK PRODUCTION 2/		
	2001	2002	2001	2002	2001	2002	% CHANGE FROM 2001
	THOUSANDS		POUNDS		MILLION POUNDS		PERCENT
AZ	140	140	1,850	2,050	259	287	10.8
CA	1,582	1,641	1,825	1,860	2,887	3,052	5.7
FL	154	151	1,515	1,510	233	228	-2.1
ID	364	384	1,830	1,820	666	699	5.0
IL	116	115	1,610	1,630	187	187	---
IN	152	152	1,490	1,550	226	236	4.4
IA	211	209	1,610	1,630	340	341	0.3
KY	129	123	1,200	1,250	155	154	-0.6
MI	304	298	1,700	1,745	517	520	0.6
MN	515	490	1,525	1,550	785	760	-3.2
MO	148	137	1,255	1,315	186	180	-3.2
NM	261	296	1,870	1,910	488	565	15.8
NY	673	680	1,540	1,630	1,036	1,108	6.9
OH	261	261	1,470	1,540	384	402	4.7
PA	599	580	1,600	1,650	958	957	-0.1
TX	329	310	1,450	1,565	477	485	1.7
VT	152	154	1,545	1,565	235	241	2.6
VA	118	120	1,415	1,450	167	174	4.2
WA	246	247	1,950	2,000	480	494	2.9
WI	1,295	1,275	1,530	1,550	1,981	1,976	-0.3
20 STATE TOTAL	7,749	7,763	1,632	1,681	12,647	13,046	3.2

1/ Includes dry cows. Excludes heifers not yet fresh.

2/ Excludes milk sucked by calves.

SOURCE: "Milk Production," Da 1-1 (6-02), Agricultural Statistics Board, National Agricultural Statistics Service, U.S. Department of Agriculture.

THE DAIRY SITUATION AND OUTLOOK

Dairy Markets Weaker - Dairy markets have been weak this spring. Recovery in milk production, in line with earlier expectations, has been substantial but not overwhelming. However, downward adjustments in dairy product demand have been larger than anticipated, particularly for cheese and milk solids as ingredients. Demand sluggishness has pushed up commercial dairy stocks sharply. These stocks will forestall much rebound in prices during the rest of 2002.

Milk Production Expands - Milk production this spring continued to post significant increases from the sagging output of a year earlier. Even so, problems with supplies of alfalfa hay and dairy replacement heifers continued to trim the production recovery. Milk cow numbers in the 20 States were slightly above a year earlier in April. Cow numbers have varied little since the spring of 2001. Milk cow numbers are projected to be near a year earlier through the spring and summer but begin to slip this autumn and into 2003. The 2002 annual average is expected to be just barely below last year's, and even the 2003 decline is projected to be only about 1 percent. Milk per cow has struggled to move back toward the long-run trend in recent months, even though it posted almost 3-percent increases (20 States) from last year's slipping levels. Milk per cow is projected to run almost 3 percent above the relatively weak 2001 levels during the rest of 2002, but is not expected to fully close the gap with the long-run trend until 2003. This gain in milk per cow is projected to bring 2002 milk production to about 170 billion pounds, up almost 3 percent from a year ago.

Support Purchase Program Extended - The recently enacted Farm Security and Rural Investment Act of 2002 contained a number of important dairy provisions. The support purchase program, which had been scheduled to expire under the 1996 Act, was extended through calendar 2007 at the current support price of \$9.90 per hundredweight of milk. Similarly, the Dairy Export Incentive Program (DEIP) was extended through 2007. The Act also established a program of Dairy Market Loss Payments that provides countercyclical support through fiscal 2005. The payment rate will be 45 percent of the difference between \$16.94 per cwt and the month's Class I price in Boston. (This difference is equivalent to the difference between \$13.69 and the Class I mover.) The payment will be made on milk marketed by a producer during the month, subject to a limit of 2.4 million pounds during each fiscal year. Farmers who will receive payment on all of their milk account for less than a third of total milk production. For the remaining producers, the impact of the payments will be significantly affected by the regulations implementing the annual limit.

Dairy Demand Soft - Commercial disappearance of dairy products has been erratic, but generally stagnant, thus far in 2002. January-April commercial use was slightly below a year earlier on either a milkfat or skim solids basis. Less buying ahead for second-half use undoubtedly contributed to the decline, as this year's prospects for continued ample supplies were in sharp contrast to last year's tightening markets. However, consumers definitely appear to have become more conservative in their eating habits. Spurred by much lower prices and a recovering economy, dairy product sales are expected to grow during the second half. Use of cheese is projected to resume growth, and butter sales may be good. Total use of milkfat in 2002 is projected to rise substantially. However, competition with imported proteins and whey products and the loss of commercial exports may hold commercial use of skim solids about the same.

International Dairy Markets in Doldrums - Large supplies and sluggish demand have kept international dairy prices steady and quite low. Butter prices have run about \$1,000 per metric ton, with nonfat dry milk prices only about \$200 higher. Prices might show a little seasonal improvement during the rest of the year, but recovery is projected to be quite limited. Import demand has been trimmed in a number of countries by economic weakness or political unrest. Also, large export supplies have virtually eliminated any incentive for importing countries to buy ahead. Demand is expected to stay fairly weak through at least yearend. Under these conditions, contract activity against the new DEIP allocations, available after July 1, might be somewhat sluggish.

Prices Weak - Weakness in wholesale dairy product prices is expected to hold farm milk prices well below a year earlier during the rest of 2002. Seasonal rises will be relatively modest, with values of milk for cheese and for butter-powder holding relatively close. The annual average all milk price is projected to fall more than \$2 per cwt from a year earlier and may not be much above 2000's \$12.40 per cwt. Possibilities for substantial recovery in farm milk prices during the remainder of 2002 seem quite limited. Retail dairy prices are projected to increase 1 to 2 percent in 2002. The largest increases from a year ago occurred early in the year, and second-half retail prices are expected to be near 2001's. The farm-retail price spread for dairy products is projected to widen sharply in 2002, following last year's sizable contraction.

SOURCE: "Livestock, Dairy, and Poultry Outlook", LDP-M-96, June 17, 2002, Economic Research Service, USDA. For more information on the LDP report, contact James J. Miller, (202) 694-5184. Also, please note that this summary has been condensed from the original by the Market Information Branch, Dairy Programs, AMS.

FEDERAL MILK ORDER PRICE AND POOL SUMMARY, MAY

HIGHLIGHTS. Handler reports of receipts and utilization under the Federal milk order system for May have been filed and tabulated. Combined totals for the 11 consolidated orders are being released. During May, about 11.2 billion pounds of milk were received from producers. This volume of milk is 6.5 percent higher than the May 2001 volume. (Taking into account the volume of milk not pooled due to intraorder disadvantageous price relationships, the year-to-year change is +3.0 percent.) About 3.9 billion pounds of producer milk were used in Class I products, 1.5 percent higher than the previous year. Calendar composition likely had a positive impact on milk used in Class I in 2002 as compared to 2001. The all-market average Class utilization percentages were; Class I = 35%, Class II = 10%, Class III = 43%, and Class IV = 12%. The weighted average statistical uniform price was \$12.02 per cwt., \$0.24 lower than last month, and \$3.53 lower than last year.

PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF MAY 2002										
FEDERAL MILK ORDER MARKETING AREA <u>1/</u>	ORDER NUMBER	RECEIPTS OF PRODUCER MILK		UTILIZATION OF PRODUCER MILK IN CLASS I			UTILIZATION OF PRODUCER MILK IN OTHER CLASSES			UNIFORM PRICE <u>2/</u>
		TOTAL	CHANGE FROM PREV. YEAR	TOTAL	CHANGE FROM PREV. YEAR	PERCENT	CLASS II	CLASS III	CLASS IV	
		MIL. LBS.	PERCENT	MIL. LBS.	PERCENT		PERCENT			\$ PER CWT.
Northeast (Boston)	001	2,282.2	3.9	907.7	0.4	40	15	31	14	12.63
Appalachian (Charlotte)	005	609.4	-2.9	377.1	3.6	62	15	8	15	13.09
Southeast (Atlanta)	007	742.1	5.6	396.1	-2.0	53	11	22	14	12.89
Florida (Tampa)	006	237.0	0.7	207.2	-2.6	87	9	2	2	14.55
Mideast (Cleveland)	033 <u>3/</u>	1,735.2	17.8	557.2	1.4	32	14	49	5	11.63
Upper Midwest (Chicago)	030 <u>3/</u>	1,621.2	1.3	355.7	7.5	22	3	73	2	11.30
Central (Kansas City)	032 <u>3/</u>	1,613.8	2.2	399.1	-1.1	25	7	60	8	11.47
Southwest (Dallas)	126 <u>3/</u>	895.9	11.2	340.6	1.7	38	11	33	18	12.42
Arizona-Las Vegas (Phoenix)	131	283.3	5.4	84.8	10.4	30	5	33	32	11.51
Western (Salt Lake City)	135 <u>3/</u>	485.9	23.2	88.2	0.2	18	7	51	24	11.31
Pacific Northwest (Seattle)	124	690.4	9.5	185.8	6.2	27	5	36	32	11.35
ALL MARKET AVERAGE OR TOTAL	<u>3/</u>	11,196.2	6.5	3,899.3	1.5	35	10	43	12	12.02

1/ Names in parentheses are the major city in the principal pricing point of the market.

2/ Statistical uniform price for component pricing orders (Class III price plus producer price differential). For other orders, uniform skim milk price times 0.965 plus uniform butterfat price times 3.5.

3/ Due to a disadvantageous relationship between intraorder class prices and the location adjusted statistical uniform (blend) price in these markets, handlers elected not to pool an estimated 145 million pounds of milk that normally would have been associated with these markets. In May 2001, the estimated not-pooled volume of milk was 500 million pounds. After adjusting for these not-pooled volumes, the year-to-year percent change is +3.0.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF JUNE 17 - 21, 2002			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/01	SAME PERIOD LAST YEAR	WEEK ENDING 6/07/02	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Unsalted	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	-0-	3,050,083	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	4,025,276	-0-	-0-
Process	-0-	-0-	-0-	-0-	3,999,600	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	11,074,959	-0-	-0-
NONFAT DRY MILK							
Nonfortified	18,323,372	585,112	17,738,260	515,008,709	318,304,825	1,090,097,000	558,070,000
Fortified	-0-	-0-	-0-	-0-	28,151,091	46,391,000	38,227,000
TOTAL	18,323,372	585,112	17,738,260	515,008,709	346,455,916	1,136,488,000	596,297,000

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF JUNE 17 - 21, 2002 =	3.9	206.5	COMPARABLE PERIOD IN 2001 =	0.0	0.0
CUMULATIVE SINCE OCTOBER 1, 2001 =	113.3	5,994.7	CUMULATIVE SAME PERIOD LAST YEAR =	178.4	4,142.4
CUMULATIVE JANUARY 1 - JUNE 21, 2002 =	96.4	5,098.8	COMPARABLE CALENDAR YEAR 2001 =	61.9	2,659.8

* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

**Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES FOR THE WEEK OF JUNE 17 - 21, 2002 (POUNDS)

REGION	BUTTER				CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS		NONFORTIFIED	FORTIFIED
MIDWEST	-0-	-0-	-0-	-0-	-0-	-0-		3,695,404	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-		13,440,371	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-		602,485	-0-

CCC ADJUSTED PURCHASES SINCE 10/1/01 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2001/02	2000/01	2001/02	2000/01	2001/02	2000/01	2001/02	2000/01
MIDWEST	-0-	-0-	-0-	5,995,440	29,377,621	5,176,799	5.7	31.7
WEST	-0-	-0-	-0-	5,039,919	446,534,679	341,279,117	86.7	68.1
EAST	-0-	-0-	-0-	39,600	39,096,409	-0-	7.6	0.2
TOTAL	-0-	-0-	-0-	11,074,959	515,008,709	346,455,916	100.0	100.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER MAY 31, 2001

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.; 3.5% - \$9.80

BUTTER Bulk \$.8548 per pound; 1# Prints \$.8848

CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1839; Process Am. 2# \$1.2239

NONFAT DRY MILK Nonfortified \$.9000 per pound; Fortified \$.9100; Instant \$1.0575

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 06/01/02 & Comparable Week 2001											U.S. TOTAL		% DAIRY OF ALL	
Regions* (000 HEAD)	1	2	3	4	5	6	7	8	9	10	WEEK	SINCE JAN 1	WEEK	SINCE JAN 1
2002-Dairy	0.2	0.5	4.5	4.0	15.8	1.6	0.3	0.6	10.2	1.7	39.4	1,068.1	42.9	46.6
2001-Dairy	0.2	0.7	4.4	4.2	17.5	1.8	1.3	0.6	8.9	1.7	41.3	1,152.8	43.4	47.9
2002-All cows	0.2	0.7	6.1	11.6	24.3	14.0	13.6	3.3	13.3	4.9	91.8	2,292.4		
2001-All cows	0.2	0.8	6.1	13.6	25.3	13.4	14.9	4.0	11.3	5.6	95.1	2,406.6		

SOURCE The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CLASS III (2000-2001) AND BFP (1999) MILK PRICES, (3.5% BF, \$/CWT. FOR COMPARISON PURPOSES ONLY)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
1999	16.27	10.27	11.62	11.81	11.26	11.42	13.59	15.79	16.26	11.49	9.79	9.63
2000	10.05	9.54	9.54	9.41	9.37	9.46	10.66	10.13	10.76	10.02	8.57	9.37
2001	9.99	10.27	11.42	12.06	13.83	15.02	15.46	15.55	15.90	14.60	11.31	11.80

FEDERAL MILK ORDER CLASS PRICES FOR 2002 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	11.96	11.95	11.62	11.47	11.26	11.03						
II	12.69	12.28	12.19	11.88	11.29							
III	11.87	11.63	10.65	10.85	10.82							
IV	11.93	11.54	11.42	11.09	10.57							

1/ Specific order differentials to be added to this base price are located at www.ams.usda.gov/dyfmoms/mib/cls_prod_cmp_pr.htm